100TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
100-744, PART II

TRANSFER OF FEDERAL LANDS FOR FUTURE EXPANSION OF VETERANS MEDICAL FACILITIES IN PHOENIX, ARIZONA

JULY 7, 1988.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. MONTGOMERY, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany H.R. 4519, which on May 3, 1988, was referred jointly to the Committees on Veterans' Affairs and Interior and Insular Affairs]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 4519) to provide for the disposition of certain lands in Arizona under the jurisdiction of the Department of the Interior by means of an exchange of lands, and for other purposes, having considered the same, reports favorably thereon, with amendments, by unanimous voice vote, and recommends that the bill, as amended, do pass.

The amendments are as follow:

Page 1, line 9, strike out "the Veterans' Administration" and insert in lieu thereof "Veterans' Affairs".

Page 4, line 22, strike out "or the State of Arizona".

Page 5, line 1, strike out "Zoning" and insert in lieu thereof "Development".

Page 5, line 14, strike out "Zoning" and insert in lieu thereof "Development".

Page 7, line 7, strike out "under" and all that follows through line 8 and insert in lieu thereof the following: "owned by the United States and under the jurisdiction and control of the Veterans' Administration on January 1, 1988".

86-379 ⇆

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Page 8, strike out lines 13 through 21 and insert in lieu thereof the following:

(2) transfer jurisdiction and control of a parcel of 11.5 acres of the School Property to the Veterans' Administration pursuant to subsection (f); and

(3) transfer jurisdiction and control of a parcel of 4.5 acres of the School Property to the Veterans' Administration pursuant to subsection (g).

Page 9, lines 5 and 6, strike out "the Veterans' Administration" and insert in lieu thereof "Veterans' Affairs".

Page 10, line 23, strike out "Zoning" and insert in lieu thereof "Development".

Page 11, strike out line 1 and all that follows through line 15 on page 15 and insert in lieu thereof the following:

(f) TRANSFER TO THE VETERANS' ADMINISTRATION.—(1) Upon the closing of the Land Exchange or the Purchase Transaction, the Secretary shall transfer to the Veterans' Administration jurisdiction and control of a parcel of 11.5 acres (including improvements located thereon) within the School Property to be used for expansion of the Veterans' Administration Medical Center in Phoenix, Arizona.

(2) Such parcel shall be the portion of land designated as Tract C on the metes-and-bounds surveys in the southeast quarter of section 20, township 2 north, range 3 east, of the Gila and Salt River Meridian, Arizona, conducted by the Bureau of Lands Management of the Department of Interior, dated March 22, 1988.

(3)(A) The Administrator shall cooperate with the City in the planning and development of land transferred under this subsection for the purpose of ensuring comprehensive planning of the School Property in accordance with the objectives of the Public Planning Process. The general authorities of the Administrator, including but not limited to those contained in sections 5022(a)(2) and 5024 of title 38, United States Code, shall be available to the Administrator for the purposes of this subsection.

(B) The Administrator shall, within six months after the date of the enactment of this Act and every six months thereafter until the cooperative planning referred to in subparagraph (A) is completed, transmit a report to the Committee on Interior and Insular Affairs and the Committee on Veterans' Affairs of the House of Representatives and the Committee on Energy and to Natural Resources and the Committee on Veterans' Affairs of the Senate. Each such report shall contain a description of the efforts made by the Veterans' Administration in carrying out such planning during the period for which the report is submitted.

(C) The Secretary shall enter into a memorandum of understanding with the Administrator for the temporary use by the Administrator of the gymnasium constructed on the School Property in 1975. Such temporary use shall not extend beyond the interim period before the transfer or de-

velopment of the property on which the gymnasium is located.

(g) TRANSFER TO THE STATE OF ARIZONA.—(1) Upon the closing of the Land Exchange or the Purchase Transaction, the Secretary shall transfer to the Veterans' Administration jurisdiction and control of a parcel of 4.5 acres (including improvements located thereon) within the School Property which shall be under the jurisdiction and control of the Veterans' Administration until disposed of in accordance with paragraph (3) or (4).

(2) Such parcel of land shall be contiguous to the parcel of land transferred to the Veterans' Administration under subsection (f) and to the Veterans Administration Property. Such parcel shall be identified by mutual agreement of the City, the Administrator, Collier, and the State of Arizona in accordance with the objectives of the Public Planning Process for use by the State of Arizona as a site for facilities owned and operated by such State as a home for veterans.

(3) The Administrator shall convey such parcel (including improvements located thereon), without reimbursement, to the State of Arizona when—

(A) the Administrator of Veterans' Affairs has approved the State of Arizona's application for assistance in construction of a State veterans' facility on such parcel pursuant to section 5035 of title 38, United States Code; and

(B) the State of Arizona has appropriated sufficient funds to pay for its portion of the costs of construction of such facility.

(4) If the State of Arizona does not submit an application for assistance described in paragraph (3)(A) and appropriate the funds described in paragraph (3)(B) within three years after such parcel is transferred to the Veterans' Administration under this subsection, the Administrator of Veterans' Affairs shall transfer jurisdiction and control of such parcel to the Secretary.

(5) Such land shall be offered by the Secretary for sale to the City, subject to a right of reverter in favor of the United States restricting the use of such land perpetually to provide for public open space and recreation, at a price determined by the Secretary which shall be representative of the value of such land discounted to account for such restrictions in use. In the event that the City does not accept the offer of the United States to purchase such land within six months from the date such offer is made, such land shall be offered for sale to the Purchaser at fair market value. The amount received from any sale of such land shall be deposited in the Arizona InterTribal Trust Fund and in the Navajo Trust Fund in accordance with the allocation described in section 202(e).

Page 15, line 17, strike out "notices" and "parcels" and insert in lieu thereof "the notice" and "the parcel", respectively.

Page 15, lines 18 and 19, strike out ", the State of Arizona, and the Veterans Administration".

Page 15, line 19, strike out "subsections (e), (f), and (g)," and insert in lieu thereof "subsection (e)".

Page 16, strike out lines 9 through 11 and insert in lieu thereof the following:

to the City pursuant to subsection (e), transferred to Veterans' Administration pursuant to subsection (f), or conveyed to the State of Arizona pursuant to subsection (g);

Page 19, line 11, strike out "Zoning" and insert in lieu thereof "Development".

Page 24, strike out line 20 and all that follows through line 11 on page 25.

Page 25, line 12, strike out "(l)" and insert in lieu thereof "(k)".

Page 25, line 13, strike out ", the State of Arizona".

Page 25, lines 16 and 17, strike out "section 101(e)(4) or 101(g)(4) of this Act" and insert in lieu thereof "subsection (e)(4) or is transferred to the Secretary under subsection (g)(4)".

Page 25, strike out line 23 and all that follows through line 15 on page 27.

Page 27, line 16, strike out "(q)" and insert in lieu thereof "(l)".

Page 31, line 22, insert the following before the period: "; except that the Administrator of Veterans' Affairs may, during the interim period of administration, take such actions as are necessary to protect the improvements located on the 11.5 acres of land and 4.5 acres of land to be transferred to the Veterans' Administration pursuant to subsections (f) and (g) of section 101".

Page 32, lines 17 and 18, strike out "(4) or (m)" and insert in lieu thereof "(5)".

Background of the Bill

The Carl T. Hayden VA Medical Center, Phoenix, AZ, was initially housed in the converted Papago Park POW Camp in the east valley desert, where in 1946, it was known as the VA Hospital (consisting of 112 beds). Construction of a 190 bed hospital at Seventh Street and Indian School Road began in 1949 and admitted its first patients in 1951. A rapidly growing veterans population in central Arizona, along with advances in medical science, created a need for a modern expansion of the hospital. In August 1975, a new 328 bed hospital addition admitted its first patients. Construction soon began on a 120 bed attached Nursing Home Care Unit which opened its doors on August 15, 1978. Today the Medical Center's 586 beds include 156 medical, 20 intermediate medicine, 124 surgical, 15 neurological, 15 rehabilitation medicine, 136 psychiatric, and 120 nursing home care beds.

When the current size of the Hayden VA Medical Center (VAMC) in Phoenix was planned in the late 1960's, the city of Phoenix was the 22nd largest city in the country. The tremendous

growth of population is reflected by the 1980 census data, which showed that the city had become the ninth largest. The Phoenix area is currently the fastest growing metropolitan area in the United States with a projected census for the year 2000 of more than 4 million people. In addition to the year-round population, winter visitors further swell the Phoenix population by an estimated one-half million. A spiraling demand for veterans health care services in one of the most expensive health-care-costs cities in the U.S. parallels this general growth in population.

The veteran population within the primary service areas (PSA) of the Hayden VAMC is projected to increase from 242,200 in 1986 to a total of 250,000 in 1995. The most significant increase is projected in the number of veterans over the age of 65, which is expected to double by the year 2000 to a total of 94,500. In addition to a rapidly expanding population in the Phoenix PSA (about 60 percent of the state's population), patients are also being referred from the Prescott, AZ, medical center for surgery and tertiary care treatment since Prescott is not a tertiary care facility. The Prescott PSA provides an additional veterans population of about 42,000 with an estimated 18,000 in the over-65 category. The Hayden VAMC is not physically capable of meeting this increased demand for services without an expansion and modernization of the physical plant. The medical center is land-locked on three sides and future expansion within current boundaries is not feasible. Thus, further expansion of medical facilities is dependent on acquisition of land adjacent to the medical center.

Outpatient treatment at the Hayden VAMC is provided in the space designed for 60,000 annual visits. The medical center is projected to accomplish 190,000 visits for fiscal year 1988. The rapid growth in this activity is constrained by current staffing and space resources, creating a real limitation on meeting future projected patient care needs.

The Hayden VAMC is a medium-sized tertiary care facility. In addition to the increased demand for services from an expanding population of aging veterans, a number of new programs to meet previously underserved or newly identified veteran health care needs have been initiated. Phoenix has recently been approved and funded for a hospital based home care program, a substance abuse treatment center, a community residential care site, a homeless veteran assistance program, a post-traumatic stress disorder treatment facility and, very recently, a cardiac catheterization laboratory. Phoenix is also the location for district administrative staff as well as the regional fire and safety staff. The addition of these functions has stressed an already crowded facility.

The currently-approved planning horizon for the VAMC's 5-year facility plan includes these specific construction projects:

Project Title:	*Estimated Cost (Dollars in Thousands)*
Replace Auto. Transport System	$ 3,500
Laundry Building	7,765
Clinical Services Addition (CSA)	75,000
Remodel Building 21	1,221

Estimated Cost (Dollars in Thousands)—Continued

Radiation Therapy	1,500
Magnetic Resonance Imaging Facility	1,950

In addition to the currently projected need for 125 additional acute care hospital beds for the growing veteran population, a planned clinical services addition (CSA) will provide the space needed to appropriately care for veterans in the following treatment modalities:

- Homeless Chronically Mentally Ill
- Day Treatment
- Drug/Alcohol Abuse Program
- Day Hospital
- Audiology/Speech Pathology
- Oncology
- Prosthetics/Orthotics Lab.
- Radiation Therapy
- Neuropsychology Testing
- Biofeedback
- Cardiac Catheterization Lab.
- Adult Day Health Care
- Community-Based Residential Care
- Cardiac Rehabilitation

The Hayden VAMC also has a formal sharing agreement with the Phoenix Indian Medical Center, and services provided under this agreement could be enhanced when the clinical services addition is completed. Formal sharing agreements which could also be expanded when the CSA is built are established with Luke Air Force Base and Williams Air Force Base. The agreements presently include:

(1) Utilization of argon laser photocoagulator;
(2) nuclear medicine studies;
(3) anatomical pathology procedures; and
(4) chemical laboratory procedures.

Summary of the Bill as Introduced

H.R. 4519 would authorize the Secretary of the Interior to dispose of approximately 111 acres of commercially valuable land, known as the Indian School Property, in Phoenix, Arizona, and to acquire approximately 108,000 acres of land in south Florida for the expansion of the Big Cypress National Preserve, the Florida Panther National Wildlife Refuge, and the Ten Thousand Islands National Wildlife Refuge.

On May 15, 1988, the Secretary of the Interior and two Florida companies (referred to as Collier) which own the Florida land entered into an "exchange agreement" which calls for the United States to convey 68 acres of the Indian School Property to Collier in exchange for the Florida land and a $34.9 million payment. The bill permits Collier's participation in a process designed to achieve comprehensive planning and development of the Indian School Property. Although the agreement binds Collier to sell the Florida properties at the 1987 appraised value, Collier is not assured of obtaining the 68 acres of Indian School Property. Following the planning and zoning process, third parties will be allowed 30 days to make an offer in excess of the offer contained in the exchange agreement, although the bill allows Collier to match any higher offer. If Collier declines to match the higher offer, the property will be sold to the highest bidder, with the proceeds used to purchase the Florida land at the price stipulated in the agreement. To compensate for the closure of the Indian School, the balance of the proceeds will be deposited into the Indian education trust funds estab-

lished by the bill for supplemental educational and child-welfare activities and services for the benefit of Arizona Indian Tribes.

The bill would transfer 20 acres to the City of Phoenix for use as open space and recreation areas. It also allows the Veterans' Administration and the State of Arizona up to 11.5 acres and 4.5 acres for expansion of the existing Hayden VAMC and for construction of a new state veterans home, respectively.

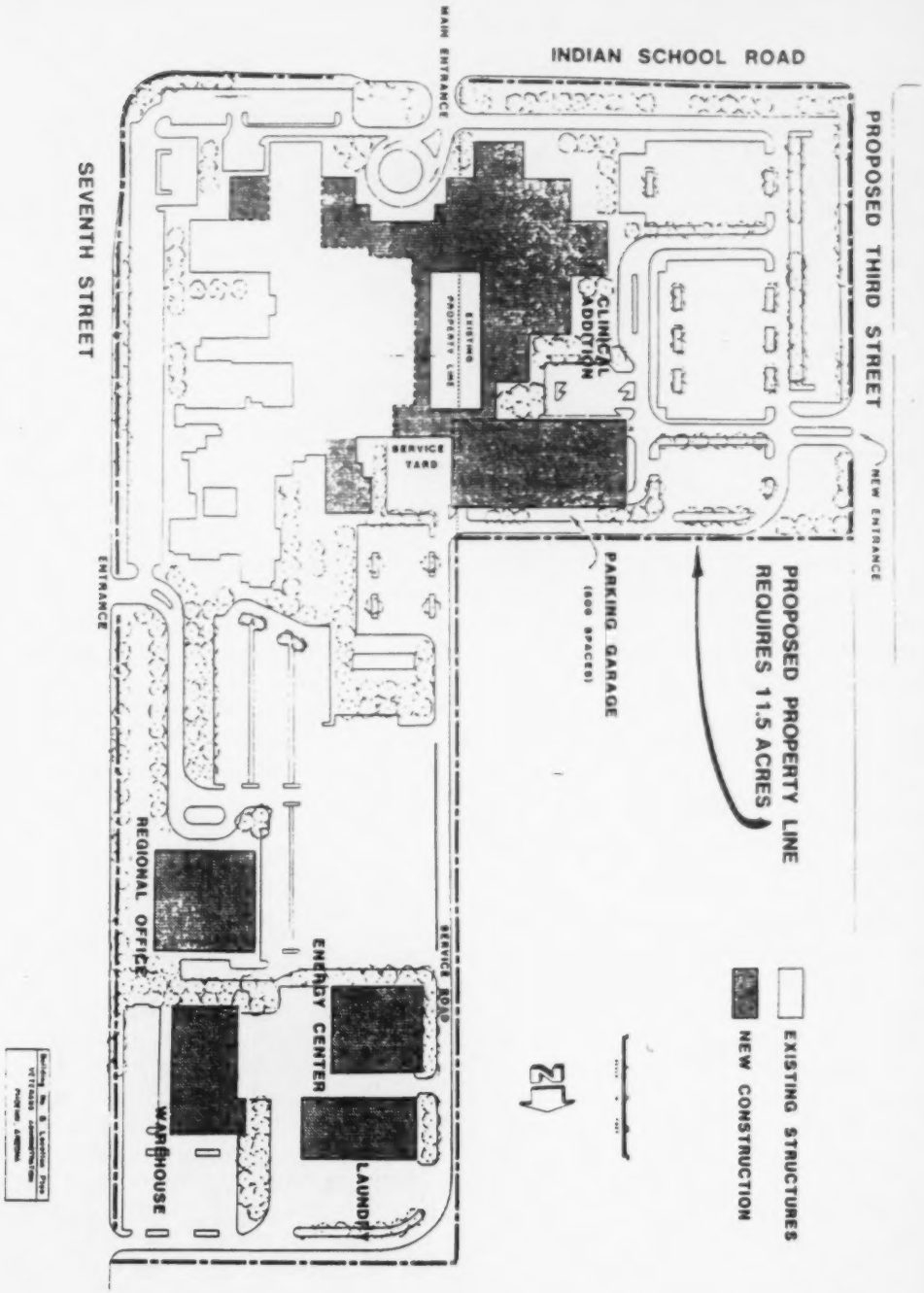
Discussion of Committee Amendments

While the committee has jurisdiction to consider all aspects of the Arizona-Florida Land Exchange Act of 1988, the committee has limited its consideration to those sections of the bill which affect the transfer of land for the future provision of health care and other services to veterans in the Phoenix area. H.R. 4519 was introduced on May 3, 1988 by Mr. Udall and was referred jointly to the Committees on Interior and Insular Affairs and Veterans' Affairs. On June 28, 1988, the Committee on Veterans' Affairs considered the measure and ordered it reported with amendments offered by Mr. Montgomery of Mississippi and Mr. Stump of Arizona. The committee is concerned about the adequacy of VA facilities in Arizona to meet the future health care needs of veterans, and how the legislation will help to address those concerns.

As introduced, the bill envisions a different procedure for transferring land to the Administrator of Veterans' Affairs than that contained in the committee amendments. The bill calls for an election by the Administrator within a brief time period to receive no more than 11.5 acres of land adjacent to the existing VA medical center. Prior to making this election, the Administrator is required to participate in what will be extensive negotiations between Collier and the City of Phoenix over the best use of the entire Indian School Property, although the bill provides the Administrator with the final authority to determine the exact location and configuration of whatever land he elects to receive. Further, the bill would give the Administrator authority to enter into agreements following the conveyance to exchange, on an acre-for-acre basis, land transferred under the bill with land purchased by Collier.

The committee has been advised by the Hayden Medical Center Director and other responsible officials of the Veterans' Administration that expansion plans for the Hayden VAMC call for the utilization of 11.5 acres located in the southeast corner of the Indian School Property adjacent to the existing medical center property. (See diagram on next page.) The committee believes that this choice of size and configuration has been made based on the best assessment of the future needs of veterans and the Hayden VAMC. Accordingly, instead of subjecting the Administrator or other representatives of the Veterans' Administration to a prolonged and, in light of the existing VA choice of sites, unnecessary planning and development process to select a size and configuration, the committee amendments would transfer the designated acres. The committee language describing the acreage refers to a Bureau of Land Management (BLM) survey of the Indian School Property which the committee believes accurately reflects the VA choice. In the

event that there are any discrepancies between the BLM survey which refers to the VA choice as "Tract C" and the actual designation of the VA site on this diagram, the committee expects that the Administrator's subjective intent will govern the final site selection.



With regard to the 4.5 acres, which will be the site of the state veterans facility to provide nursing or domiciliary care if the State fulfills certain conditions, the amendments would require that this land be contiguous to the existing VA medical center and to the 11.5 acres being transferred for expansion of the medical center. Within these limits, the amendments would require the Veterans Administration, the City of Phoenix, the State of Arizona, and Collier to reach an agreement on the actual location of the 4.5 acres. The land will initially be transferred to the Administrator for administrative purposes. The Administrator is directed to transfer the land to the State of Arizona without reimbursement after the Administrator has approved the State's application for a construction grant under the state veterans home construction grant program (subchapter III of chapter 81, title 38, United States Code). That program authorizes the Veterans' Administration to provide up to 65 percent of the cost of construction of a home which will provide domiciliary or nursing home care to eligible veterans. If the State of Arizona does not submit its application and appropriate its share of the cost of construction within three years after the 4.5 acres is transferred to the VA, the Administrator is required to return the land to the Secretary of the Interior.

The committee amendments also strike two provisions in the bill which would have required the Secretary of the Interior to (1) reserve a right of way of 45 to 60 feet in width from any land transferred to the VA or the State of Arizona, and (2) convey an easement to the purchaser of the Indian School Property of similar proportions across the northern end of the Veterans' Administration property. The amendments also strike a requirement that the Administrator provide access to the 4.5 acre parcel through either existing medical center grounds or through the 11.5 acre parcel conveyed to the VA in the bill.

In connection with the deletion of these three provisions, the committee notes the general authority of the Administrator to "grant on behalf of the United States to any State, or any agency or political subdivision thereof, or to any public-service company, easements in and rights-of-way over lands... which are under the Administrator's supervision and control" (38 U.S.C. 5024). Thus, the Administrator has the authority to grant such easements and rights-of-way under such terms and conditions as he or she deems advisable, and the committee views the three provisions in the bill as unnecessary and excessively prescriptive.

The changes made by the committee amendments referred to above require a number of conforming amendments to references in the bill which deal with the possibility that the VA or the State would elect to receive less than 11.5 or 4.5 acres, respectively. Since the amendments direct the transfer of specific acreage, these provisions have been stricken from the bill.

The committee amendments modify the direction to the Administrator to cooperate with the City in the planning and development of its use of land within the Indian School Property. The committee believes that a decision on the planned use of Federal land under the VA's management must first and foremost be a decision which

rests with the Administrator, acting in the best interests of the United States. Since the Administrator is charged with providing services to veterans under title 38, United States Code, decisions as to the best use of property under the jurisdiction of the VA must be based primarily on the mandate of this statutory mission. The committee recognizes, however, as does the Administrator, that the VAMC's use of land influences the use of land which adjoins it, and that planning for public services such as roadways, utility service, water and sewage lines, and traffic control devices, must take into account the presence of VA facilities in that area. The committee notes with approval the long history of VA cooperation with city and regional planners wherever it operates facilities in assuring that the presence of the facility enhances the community in which it is located.

Given this background of a consistent VA policy of acting as a "good neighbor" to the communities where it operates facilities, the committee believes the VA should participate in the planning process. The City and Collier have entered into a planning and development agreement which states their desire to create a unique regional attraction on the Indian School Property by providing a mixture of commercial, residential, and civic uses such as museums and public education centers. While the development of the property conveyed to Collier or some other private interest will not directly affect the VA's decision to construct additional facilities on the land conveyed to it by this legislation, the VA could benefit in its own development of necessary facilities by an understanding of the planned development of the remainder of the tract. Considerations such as surrounding building height, the presence of adequate buffer areas, and planned traffic flow in the overall development could affect the ultimate use and enjoyment of VA facilities by patients and employees. The committee believes that cooperation with the City in the planning and development of the Indian School Property is in the best interest of the Veterans' Administration and the City. It should be emphasized that this cooperation will not affect the location of the 11.5 acres conveyed to the VA by the legislation, nor will it restrict the discretion of the Administrator in the planned development of additional facilities on the medical center grounds.

Since development of the 11.5 acres conveyed to the Administrator and the 4.5 acres which the Administrator will ultimately convey to the State may not take place for several years from the date of enactment of the reported bill, the committee has included two administrative provisions. One would direct the Secretary of the Interior to enter into a memorandum of understanding with the Administrator to permit the use of a gymnasium on the Indian School Property after the school closes. This gymnasium was built in 1975 and is a valuable facility for purposes of patient recreation and rehabilitation. Although it would have been desirable to the medical center to convey the gymnasium to the Administrator, the committee understands that there are other interests to be served by this legislation and has, accordingly, not required this conveyance.

The committee also has included an amendment giving the Administrator authority to protect improvements on the 11.5 acres and 4.5 acres during the time between the closing of the Indian School and the conveyance of the land to the Administrator. The committee expects that inasmuch as the Secretary of the Interior has the inherent authority to allow the use of these properties during this interim period, a mutually beneficial agreement for the use and control of this property will be entered into with respect to such facilities as will be of use to the Administrator.

Conclusion

The proposed conveyance of land to the Hayden VAMC will not only provide for the clinical services addition, but also for badly needed patient/staff parking. In addition to these expanded land uses, the over-all land acquisition process would allow the VA to better use its current VAMC acreage by collocating the separately-leased Regional Office onto the campus, and expanding and modernizing its obsolete laundry, warehouse, dietetics, utility and emergency services (roadway/helipad) access systems.

Further future expansion of veterans medical services, as the Phoenix-area VA beneficiary needs expand into the 21st century, will be readily accommodated on the transferred land. The consolidation of these services within the acquired Indian School land would provide for ease of access for Phoenix veterans to a majority of VA and state veterans services.

Oversight Findings

No oversight findings have been submitted to the committee by the Committee on Government Operations.

CBO Cost Estimate

The following letter was received from the Congressional Budget Office concerning the cost of the reported bill.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, DC 20515

June 30, 1988

Honorable G. V. Montgomery
Chairman
Committee on Veterans Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the attached cost estimate for H.R. 4519, the Arizona-Florida Land Exchange Act of 1988.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

James L. Blum
Acting Director

cc: Honorable Gerald B. H. Solomon
Ranking Minority Member

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

June 30, 1988

1. BILL NUMBER: H.R. 4519

2. BILL TITLE: Arizona-Florida Land Exchange Act of 1988

3. BILL STATUS:

As ordered reported by the House Committee on Veterans Affairs, June 28, 1988.

4. BILL PURPOSE:

H.R. 4519 would authorize the Secretary of the Interior to dispose of approximately 111 acres of federal land ("Phoenix school property") in the State of Arizona. The Secretary would be directed to offer part of the school property to the city of Phoenix (20 acres plus rights-of-way of about 3.5 acres). An additional 16 acres would be transferred to the Veterans Administration, 4.5 acres of which may later be conveyed to the State of Arizona for a veterans nursing facility.

The bill would also ratify an agreement executed by the Department of the Interior (DOI) and three Florida companies (collectively referred to as "Collier") to pursue an exchange of the remaining 71.4 acres ("exchange property") for nearly 108,000 acres in southern Florida. The exchange agreement would create an irrevocable offer by the United States to convey the 68.4 acres (plus related rights-of-way of about 3 acres) at a specified price of $80 million. Under the agreement, payment for the exchange property would be satisfied by a lump-sum cash payment of $34.9 million and the conveyance of surface rights in the Florida lands at a specified price of $45.1 million. (Collier would retain all subsurface rights as well as related easements and rights-of-way.)

Under the agreement, Collier would have three years in which to accept the U.S. offer, during which time it would be involved in public planning and zoning negotiations with the city of Phoenix. Collier's acceptance at the end of this process must be preceded by a non-binding notice of intent. Upon receipt of such notice, DOI would set into motion a process by which it would consider bids by other prospective buyers, under the provisions of Title I.

Under the provisions of Section 101(h), bidders would have 30 days to respond to the DOI in the form of an irrevocable offer to purchase the exchange property for an amount exceeding the minimum price set by the Secretary. Collier would be permitted 30 days to examine and meet the terms of the best qualifying offer. The review and acceptance process would be exempted from judicial review and from the public hearing provisions of the Administrative Procedure Act. If no qualifying offer is identified by the DOI and Collier accepts the government's offer, the exchange transaction would be completed under the terms of the agreement.

Title II of the bill would direct the Secretary to close the Phoenix Indian High School before September 1, 1988 and transfer administrative jurisdiction of the property to the National Park Service (NPS). Section 202 would create the Arizona InterTribal Trust Fund (AITF) and the Navajo Trust Fund (NTF), which would receive 95 percent and 5 percent respectively of all monetary proceeds from the disposition of the Phoenix property. Proceeds would be received in a lump-sum cash payment or 30 annual installments, as determined by the Secretary upon review of all bids. Any lump-sum payment would be invested in long-term federal securities, the income from which would be available under Section 202 for grants, subject to appropriation. In the case of installments, each annual payment would be made available for the same purposes. Grants provided under this section would fund Indian education and child welfare programs.

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

If the Phoenix exchange property is conveyed under the terms of H.R. 4519, the federal budget impact would be two-fold: 1) an increase in offsetting receipts upon conveyance, and 2) increased spending (subject to appropriation) for Indian education and child welfare programs. The magnitude of both effects depends on the market value of the school property, as affected by future decisions and actions of various federal, state, and local agencies.

The minimum value of the Phoenix property is set under the provisions of Title I: If no other buyer is able to meet the requirements and restrictions imposed by the DOI and the city of Phoenix, disposition of the land via exchange would result in federal offsetting receipts of $34.9 million. The investment of this amount (assuming a lump-sum payment) would provide about $3.1 million per year for grants under the provisions of Title II.

The budget impact under these assumptions would appear as follows:

(by fiscal year, in millions of dollars)

MINIMUM VALUE CASE:	1989	1990	1991	1992	1993
Direct Spending:					
Offsetting Receipts					
Estimated Budget Authority	---	---	-35	---	---
Estimated Outlays	---	---	-35	---	---
Requiring Appropriation Action:					
Grants from Trust Funds					
Estimated Authorization Level	---	---	2	3	3
Estimated Outlays	---	---	1	3	3
Net Budget Impact					
Estimated Budget Authority/ Authorization Level	---	---	-33	3	3
Estimated Outlays	---	---	-34	3	3

Under this bill, if a potential buyer other than Collier bids on the Phoenix exchange property, it could be sold for more than the specified minimum. However, the possible sale price is difficult to estimate because the land's value is highly dependent on future planning and zoning decisions by the city. If all potential buyers have equal bargaining status, siting flexibility, and access to information, it is possible that the federal government could receive $240 million or more for the property. If the sale is for $240 million, approximately $193 million would be invested, after purchase of the Florida lands and related expenses, and would produce about $17 million per year available for appropriation for Indian grant programs. The budget impact under these assumptions would be as follows:

(by fiscal year, in millions of dollars)

MARKET VALUE CASE:	1989	1990	1991	1992	1993
Direct Spending Effects:					
Offsetting Receipts					
Estimated Budget Authority	---	---	-240	---	---
Estimated Outlays	---	---	-240	---	---
Direct Spending (mostly for Florida land purchase)					
Estimated Budget Authority	---	---	47	---	---
Estimated Outlays	---	---	47	---	---
Total Direct Spending					
Estimated Budget Authority	---	---	-193	---	---
Estimated Outlays	---	---	-193	---	---
Requiring Appropriation Action:					
Grants from Trust Funds					
Estimated Authorization Level	---	---	10	17	17
Estimated Outlays	---	---	8	16	17
Net Budget Impact					
Estimated Budget Authority/ Authorization Level	---	---	-183	17	17
Estimated Outlays	---	---	-185	16	17

Basis of Estimate:

For both scenarios, CBO has assumed that H.R. 4519 will be enacted by September 1988 and that preliminary notice of intent to accept the U.S. offer is transmitted by Collier by September 1990. Also, it is assumed that all subsequent activities occur on each of the deadlines set by Section 101 and that lump sum payments are received in the second quarter of fiscal year 1991. It is further assumed that such payments will be invested in long-term Treasury securities and that all resulting interest income is appropriated in the year earned. (Trust fund interest earnings are the result of intragovernment transfers and as such would have no net impact on

the unified federal budget.) DOI administrative costs to implement the bill or manage the Florida lands are not expected to be significant. Outlays for grants have been estimated on the basis of spending patterns for similar programs.

Details specific to each case are explained below.

Minimum Value Case. This estimate is based on the assumption that all public parties receive and use the total number of acres authorized to be conveyed to them, regardless of subsequent exchanges. If any part of the 4.5 acres held for the state by the Veterans Administration is sold instead to Collier, the federal government would receive an additional $1.2 million per acre.

Under CBO interest rate assumptions, the investment of the $34.9 million payment would yield about $1.8 million in fiscal year 1991 and about $3.1 million a year thereafter. Assuming appropriation of these amounts, outlays in 1991 would be about $1.4 million, growing to $3.1 million per year by 1993. If the DOI permits installment payments (assuming that this option is found to apply under the provisions of the exchange agreement), the federal government would instead receive a payment of $3.1 million in fiscal year 1991 and a like amount in each of the following 28 years. The final installment of about $38 million would include a principal payment of $34.9 million.

Market Value Case. The value of the Phoenix school property is highly dependent on the plans of the developer and on the decisions of local authorities. The results of the appraisals that have been performed are therefore very speculative. Based on the information currently available, CBO estimates that if the undivided school property were made available now under favorable zoning conditions, its fair market value could be at least $175 million and possibly over $220 million. Using a point estimate of $200 million and assuming land appreciation of 10 percent annually, the projected value of the school property would be approximately $240 million at the time it would be made available to prospective purchasers. The federal government may receive less than this amount if transfers of parcels to the city and the Veterans Administration reduce the value of the site to potential developers. However, it is impossible to determine the precise impact of any acreage exclusions at this time. Moreover, the flexibility permitted by the bill could mitigate this impact. For example, up to 4.5 acres of the subdivided land eventually could be made available to the purchaser, and most of the subdivided land may be exchanged for private land on an acre-for-acre basis.

Assuming that the bidding process produces this higher transaction value, sale to a purchaser other than Collier would result in a lump-sum payment of up to $240 million in fiscal year 1991. In that year, the Secretary of the Interior would be directed to purchase the Florida lands and reimburse the Colliers for expenses related to planning negotiations with Phoenix officials. The bill would create direct spending authority of $45.1 million (plus an estimated $2 million for reimbursement) for these purposes, resulting in additional outlays in 1991 of that amount.

Investment of the remaining $193 million would produce approximately $10 million in interest income in 1991 and about $17 million a year thereafter. Assuming these amounts are appropriated for each fiscal year, federal outlays would be about $8 million in 1991, rising to $17 million per year by 1993. If instead the DOI elects to receive installments, the federal government would receive 29 annual payments of about $17 million beginning in 1991. The final installment of $210 million would include a principal payment of $193 million.

If conveyance at this higher transaction value is to Collier, the federal government would receive net proceeds of $195 million plus the Florida lands (rather than the $193 million shown in the table).

The above estimates have been developed on the basis of information obtained from the DOI and from the General Accounting Office's report to the Chairman of the Committee on Interior and Insular Affairs entitled "Land Exchange, New Appraisals of Interior's Collier Proposal Would Not Resolve Issues," May, 1988 (GAO/GGD-88-85).

6. ESTIMATED COST TO STATE AND LOCAL GOVERNMENTS: None.

7. ESTIMATE COMPARISON: None.

8. PREVIOUS CBO ESTIMATE:

On June 13, 1988, the Congressional Budget Office prepared an estimate for H.R. 4519, as ordered reported by the House Committee on Interior and Insular Affairs, May 18, 1988. The two estimates are identical except for technical changes made to reflect the differences in the two bills relating to the treatment of land earmarked for the state veterans' facility.

9. ESTIMATE PREPARED BY: Deborah Reis (226-2860)

10. ESTIMATE APPROVED BY:

for James L. Blum
Assistant Director
for Budget Analysis

Inflationary Impact Statement

The reported bill would have no inflationary impact.

Agency Reports

On March 24, 1988, the Committee requested the views of the Veterans' Administration on the portion of H.R. 4519 that affects the Agency. Such views had not been received by the time the report was filed.

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